

## Message Text

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CINCUSAFE FOR POLAD  
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E.O. 11652: GDS  
TAGS: PFOR, PINT, PGOV, GW  
SUBJECT: QUARTERLY ASSESSMENT: POLITICAL AND  
ECONOMIC TRENDS IN THE FRG

REF: BONN A-161, MARCH 27, 1974

SUMMARY: THE RESIGNATION OF WILLY BRANDT AND THE RE-  
NEWAL OF THE SPD-FDP COALITION UNDER HELMUT SCHMIDT  
DOMINATED ALL OTHER POLITICAL DEVELOPMENTS IN THE  
SECOND QUARTER OF 1974. THE CHANGE OF GOVERNMENT HAS  
BROAD IMPLICATIONS FOR DOMESTIC POLICY IN THE FRG AND  
FOR BONN'S FOREIGN RELATIONS. SCHMIDT INTRODUCED HIS  
NEW GOVERNMENT AS ONE OF "CONTINUITY," AND IT IS  
TRUE THAT THERE ARE UNLIKELY TO BE ANY ABRUPT CHANGES  
IN THE DIRECTION OF POLICY. IT WAS CLEAR FROM THE START,  
HOWEVER, THAT THERE WOULD BE IMPORTANT SHIFTS OF EMPHASIS.  
ESPECIALLY SIGNIFICANT FOR US-FRG RELATIONS ARE  
SCHMIDT'S OVERRIDING CONCERN WITH THE SOUNDNESS OF THE  
ATLANTIC ALLIANCE AND WITH THE INTEGRITY OF THE EUROPEAN  
COMMUNITY. THE CONVICTION THAT THERE IS AN INDISSOLUBLE  
LINK BETWEEN THE ECONOMIC HEALTH AND THE POLITICAL STABIL-  
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ITY OF THE DEMOCRATIC WEST HAS BECOME A HIGHLY EXPLICIT  
LEITMOTIV IN THE NEW CHANCELLOR'S THINKING AND SCHMIDT  
WILL UNDOUBTEDLY GIVE CONSIDERABLY MORE WEIGHT TO THE  
INTERRELATIONSHIP BETWEEN ECONOMIC AND POLITICAL FACTORS  
IN HIS POLICYMAKING PROCESS THAN WAS THE CASE UNDER  
BRANDT. THERE IS NO EVIDENCE THAT THE REDUCED PRIORITY  
OF EASTERN POLICY, WHICH HAS BY NOW BECOME QUITE OBVIOUS,  
WILL CAUSE CONFLICTS WITH US GOALS IN THE AREA OF DETENTE.

THE SPD'S POPULAR DECLINE OF THE LAST YEAR AND A HALF MAY HAVE BEEN STOPPED, BUT IT IS TOO EARLY TO SAY WHETHER THE DEPARTURE OF BRANDT AND THE ADVENT OF SCHMIDT CAN REVIVE THE PARTY'S ELECTORAL FORTUNES ENOUGH TO MAKE POSSIBLE IN 1976 A REPETITION OF THE SUCCESS OF 1972; IN ANY EVENT, THE PARTY HAS TO FACE SEVERAL MORE STATE ELECTIONS IN THE INTERVENING TIME. A CONTINUATION OF THE SPD-FDP COALITION APPEARS FOR THE TIME BEING TO BE ASSURED.  
END SUMMARY

1. BRANDT'S RESIGNATION, IN THE CONTEXT OF OTHER EVENTS TAKING PLACE IN EUROPE AROUND THE SAME TIME, WAS FREQUENTLY DESCRIBED AS A "CRISIS," BUT IN FACT THE DEVELOPMENTS SURROUNDING IT NEVER REALLY ASSUMED CRISIS PROPORTIONS. ON THE CONTRARY, IT NOW APPEARS REASONABLE TO SAY THAT THIS CHANGE OF GOVERNMENT, OCCURRING AS AND WHEN IT DID, PROVIDED A WELCOME DEMONSTRATION OF THE STABILITY OF WEST GERMAN DEMOCRATIC INSTITUTIONS. AS A RESULT, THE FIRST SPD CHANCELLOR HAS BEEN REPLACED BY A VERY DIFFERENT KIND OF MAN -- A MAN WHO IN MANY RESPECTS LACKS THE EXPERIENTIAL BREADTH OF HIS PREDECESSOR AND WHO WILL NEVER BE REGARDED AS A PATRIARCH BY HIS PEOPLE, BUT WHO, PRECISELY BECAUSE HIS NATURE IS KEYED ABOVE ALL TO ACTION AND HIS FOCUS IS SHARP, MAY PROVE ABLE TO GRAPPLE MORE EFFECTIVELY THAN BRANDT COULD HAVE DONE WITH THE INTRACTABLE PROBLEMS OF

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EUROPE IN THE MID-70'S.

2. THE GUILLAUME SPY AFFAIR WAS ONLY THE OCCASION OF  
BRANDT'S DEPARTURE, NOT THE UNDERLYING CAUSE. AT THE  
HEART OF THE FORMER CHANCELLOR'S PROBLEM WAS HIS LOSS

OF THE ABILITY, AND PERHAPS EVEN THE WILL, TO DEAL EFFECTIVELY WITH THE INTERNAL PROBLEMS BESETTING HIS PARTY. AS A CONSEQUENCE, A PROCESS OF DISCOURAGEMENT AND ESTRANGEMENT SEEMS TO HAVE BEGUN IN WHICH BRANDT ALSO BEGAN TO LOSE HIS GRASP OF THE BUSINESS OF GOVERNMENT, DESPITE THE SOLID PARLIAMENTARY MAJORITY THE COALITION PARTIES CONTINUED TO ENJOY. THE DECISION FOR CHANGE WAS ESSENTIALLY A PARTY DECISION. IT WAS, IN EFFECT, A REASSERTION (IN WHICH, ONCE AGAIN, HERBERT WEHNER PLAYED A LEADING ROLE) OF THE PRAGMATIC SPIRIT WITHIN THE SPD WHICH LED TO THE GODESBERG PROGRAM IN 1959 AND WHICH TOOK THE PARTY INTO THE GRAND COALITION IN 1966.

3. THESE DEVELOPMENTS OF COURSE PROVIDE NO GUARANTEE THAT THE SPD WILL NOT BE PLAGUED BY IDEOLOGICAL DISPUTES IN THE FUTURE; NOR DO THEY ENSURE THAT THE CONTRADICTIONS IN THE SOCIAL-LIBERAL COALITION MAY NOT EVENTUALLY LEAD TO ITS BREAKING UP. THERE WILL CONTINUE TO BE PROBLEMS WITH THE "YOUNG SOCIALISTS," (ALTHOUGH THE RELATIONSHIP BETWEEN THE JUSOS AND THEIR PARTY ELDERS

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HAS BEEN QUITE QUIET AND MAY HAVE IMPROVED SINCE BRANDT LEFT THE CHANCELLERY) AND THE SPD-FDP TEAM IS NOT IMMUTABLE WHAT IS STRIKING ABOUT THE CURRENT SITUATION, HOWEVER, IS THE PERSISTENT STRENGTH OF PRAGMATISM ( IN A PARTY AND AT A TIME WHEN MANY HAVE FEARED THAT IDEOLOGY MIGHT GET THE UPPER HAND) AND THE ENDURING QUALITY OF THE VERY SPECIAL SORT OF TWO-AND-ONE-THIRD PARTY SYSTEM THAT HAS BEEN CHARACTERISTIC OF THE FEDERAL REPUBLIC THROUGHOUT MOST OF ITS HISTORY. THIS SITUATION WOULD APPEAR TO PROVIDE A FIRM DOMESTIC BASIS FROM WHICH THE NEW CHANCELLOR CAN OPERATE IN ATTACKING THE VARIOUS POLITICAL AND ECONOMIC POLICY PROBLEMS THAT FACE HIM. IF HE IS INCLINED TO ATTACH MOST IMPORTANCE TO THE LATTER, IT IS BECAUSE HE, LIKE MOST PERCEPTIVE GERMANS, REALIZES THAT SEVERE ECONOMIC DISLOCATIONS ARE THE ONE THING THAT COULD QUICKLY DESTROY THE RELATIVELY HAPPY POLITICAL CONDITIONS THAT NOW EXIST.

4. THE DOMESTIC ECONOMY CONTINUED DURING THIS QUARTER TO DEVELOP ALONG THE SAME GENERAL LINES AS IN THE PREVIOUS MONTHS WITH OVER-ALL DEMAND PRESSURE LOWER THAN HAD BEEN EXPECTED EVEN A MONTH AGO. WHILE FINAL STATISTICS ARE NOT YET IN, REAL ECONOMIC GROWTH WAS PROBABLY AROUND 1.5 PER CENT WITH DOMESTIC DEMAND CONTINUING TO STAGNATE AND EXPORTS PROVIDING THE ONLY SIGNIFICANT STIMULUS. PARTS OF GERMAN INDUSTRY (AUTOMOBILES, CONSTRUCTION) ARE EXPERIENCING A PRONOUNC-

ED RECESSION WHILE MANY EXPORT-ORIENTED INDUSTRIES (FOR EXAMPLE, CHEMICALS AND STEEL) ARE CONTINUING TO BOOM. THE GERMAN TRADE SURPLUS HAS REACHED RECORD LEVELS TOTALING DM 17.9 BILLION DURING THE FIRST FOUR MONTHS OF THIS YEAR (AS COMPARED TO DM 8.5 BILLION DURING THE SAME PERIOD OF 1973). UNEMPLOYMENT CONTINUES AT OVER 2 PER CENT, A VERY HIGH LEVEL BY GERMAN STANDARDS.

5. THE RELATIVE STAGNATION OF THE ECONOMY HAS HAD ONE MAJOR POSITIVE EFFECT, IN THAT THE POLITICALLY SENSITIVE COST OF LIVING HAS INCREASED AT SLOWER RATES THAN IN PRACTICALLY ALL OTHER INDUSTRIAL COUNTRIES. INCREASES IN THE COST OF LIVING INDEX OVER THE SAME PERIOD OF THE PREVIOUS YEAR CONTINUE TO BE ONLY SLIGHTLY ABOVE 7 PER CENT.

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CENT, AND THE GOVERNMENT NOW EXPECTS THAT FOR 1974 AS A WHOLE THIS INCREASE CAN BE HELD CLOSE TO 8 PER CENT OVER 1973.

6. NO MAJOR SHIFTS IN OVER-ALL ECONOMIC POLICY HAVE TAKEN PLACE DURING THE QUARTER. BOTH THE GOVERNMENT AND THE LARGE MAJORITY OF THE GERMAN BODY POLITIC HAVE GIVEN TOP PRIORITY TO THE FIGHT AGAINST INFLATION AND THE GOVERNMENT HAS BEEN RELATIVELY SATISFIED WITH THE PERFORMANCE OF THE ECONOMY.

7. IN ORDER TO FURTHER REINFORCE ITS ANTI-INFLATIONARY EFFECT, THE GOVERNMENT WOULD BE QUITE CONTENT TO SEE THE PRESENT ECONOMIC STAGNATION CONTINUE FOR A TIME.

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IT REALIZES, HOWEVER, THAT IT CANNOT BE CONTINUED INDEFINITELY FOR BOTH DOMESTIC AND INTERNATIONAL REASONS. DOMESTICALLY, THE RECESSION IN LARGE PARTS OF GERMAN INDUSTRY AND THE LEVEL OF UNEMPLOYMENT CAN WELL PROVE TO BE POLITICALLY UNACCEPTABLE FOR A LONGER RUN. INTERNATIONALLY, GERMANY'S MAIN TRADING PARTNERS (PARTICULARLY FRANCE, THE UK AND ITALY) WILL NOT BE ABLE TO CONTINUE TO BUY SO MUCH MORE FROM THE FRG THAN THEY ARE ABLE TO SELL TO IT. GERMANY, THEREFORE, WILL FACE SOME DIFFICULT ECONOMIC POLICY DECISIONS TO WHAT EXTENT WILL IT BE WILLING TO STIMULATE THE DOMESTIC ECONOMY EVEN THOUGH THIS WILL GENERATE GREATER PRICE PRESSURES? TO WHAT EXTENT WILL IT BE WILLING TO FINANCE ITS EXPORT SURPLUSES THROUGH BALANCE OF PAYMENTS ASSISTANCE TO TRADING PARTNERS IN DIFFICULTY EVEN THOUGH THESE PARTNERS MIGHT WELL PROVE TO BE UNWILLING OR POLITICALLY UNABLE TO ADOPT INTERNAL ECONOMIC STABILIZATION POLICIES WHICH WOULD BRING THEIR RATE OF INFLATION CLOSE TO THE GERMAN LEVEL? GERMAN POLICY MAKERS KNOW THAT THESE ARE THE TYPES OF ISSUES THEY PROBABLY WILL HAVE TO FACE LATER IN THE YEAR. THEY ALSO MISS NO OCCASION TO REASSURE THE PUBLIC THAT THEY STAND READY TO STIMULATE THE ECONOMY SHOULD THE GERMAN EMPLOYMENT LEVEL BE THREATENED. BUT THEY BELIEVE THAT BY POSTPONING DECISIONS AND CONTINUING ON THE PRESENT COURSE AT LEAST THROUGH THE SUMMER, THEY WILL

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GAIN THAT MUCH MORE IN THEIR ANTI-INFLATIONARY ENDEAVORS. A CONSIDERATION IN SOME MINDS MIGHT ALSO BE THE POLITICAL ADVANTAGE OF STAGNATION AND REDUCTION OF PRICE INCREASES IN 1974 AND EARLY 1975 WITH THE CHANCE OF RENEWED ECONOMIC GROWTH AT RELATIVELY STABLE PRICES IN THE IMPORTANT 1976 FEDERAL ELECTION YEAR.

#### EUROPEAN COMMUNITY PROBLEMS

8. THE DEATH OF POMPIDOU AND THE ELECTION OF GISCARD IN FRANCE, TAKEN TOGETHER WITH THE CHANGE OF GOVERNMENT IN GERMANY, HAVE NOT DIRECTLY MITIGATED THE SEVERE ECONOMIC AND SOCIAL PROBLEMS FACING THE EC. HOWEVER, AS WE SEE IT FROM BONN, THEY HAVE BROUGHT ABOUT A SUBSTANTIAL IMPROVEMENT IN THE PROSPECTS FOR FRANCO-GERMAN COOPERATION. SCHMIDT'S RELATIONSHIP TO GISCARD IS ONE OF TRUST AND FAMILIARITY, BASED ON THEIR BACKGROUND AS FINANCE MINISTERS OF THEIR RESPECTIVE COUNTRIES. IF ONE ASSUMES THAT A SOUND WORKING RELATIONSHIP BETWEEN BONN



AND PARIS FORMS THE ESSENTIAL BASIS FOR RESTORING THE BALANCE AND FORWARD MOVEMENT OF THE EC, THEN THE OUTLOOK, INSOFAR AS IT IS INFLUENCED BY CONSIDERATIONS OF PERSONALITY AND PSYCHOLOGY, IS GOOD.

9. THE IMMEDIATE PROBLEMS ARE ECONOMIC ONES, ALTHOUGH THEY OBVIOUSLY HAVE EXPLOSIVE POLITICAL POTENTIAL. THE DISCUSSION OF THE CURRENT STATE OF THE FRG'S ECONOMY IN PARAGRAPHS 4 TO 7 ABOVE HIGHLIGHTS THE INTERDEPENDENCE OF THE GERMAN ECONOMY WITH THOSE OF ITS EC PARTNERS. IT DEMONSTRATES THAT ALTHOUGH GERMANY HAS BEEN ABLE THUS FAR TO MITIGATE THE DIRECT IMPACT OF THE OIL PRICE CRISIS ON ITS OWN ECONOMY, IT CANNOT EXPECT TO CONTINUE AS AN OASIS OF ECONOMIC STABILITY IN THE MIDST OF A DECLINING EUROPE.

10. THE CHANCELLOR HIMSELF IS VERY MUCH AWARE OF THE SIGNIFICANCE OF THE ECONOMIC PROBLEMS FACING EUROPE AND OF GERMANY'S RESPONSIBILITY, BECAUSE OF ITS ECONOMIC STRENGTH, TO CONTRIBUTE TO THEIR SOLUTION. HE IS CONVINCED HOWEVER THAT BILATERAL GERMAN FINANCIAL ASSISTANCE TO THE COUNTRIES MOST AFFECTED, WITHOUT A COMMUNCONFIDENTIAL

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ITY OR MULTILATERAL FRAMEWORK AND WITHOUT CONCOMITANT SELF-HELP MEASURES BY THESE COUNTRIES THEMSELVES, WOULD BE INEFFECTUAL AND WOULD SERVE ONLY TO WEAKEN GERMANY'S ECONOMIC POSITION. CONSEQUENTLY THE FRG IS LIKELY TO EXERCISE GERMAN LEADERSHIP BY ATTEMPTING TO PERSUADE OTHER EUROPEAN LEADERS OF THE SERIOUSNESS OF THE PROBLEMS AND OF THE NEED FOR A COORDINATED GOVERNMENTAL APPROACH IN DEALING WITH THEM. IT WILL ALSO ATTEMPT TO GAIN US SUPPORT AND EVEN LEADERSHIP FOR SUCH A MULTILATERAL EFFORT.

11. THE STRAIN IN US-EC ECONOMIC RELATIONS WAS CONSIDERABLY EASED WITH THE SETTLEMENT OF THE XXIV:6 NEGOTIATIONS IN WHICH THE FRG (AT STRONG US URGING) PLAYED A MAJOR ROLE IN GETTING THE EC TO MEET THE MINIMUM US REQUIREMENTS. NONETHELESS, THERE REMAIN SOME TROUBLESOME ISSUES BETWEEN US, E.G., BEEF IMPORT POLICY, AND

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RULES OF ORIGIN ON WHICH WE WILL BE SEEKING GERMAN SUPPORT FOR MODIFICATION IN THE EC POSITION. IN THESE CASES, THE FRG WILL FACE CONSIDERABLE PRESSURE FROM AFFECTED GERMAN INTEREST GROUPS AND WE ARE NOT LIKELY TO ENJOY THE SAME DEGREE OF GERMAN SUPPORT WE RELIED ON RE XXIV:6. IN ADDITION, THE LOCUS OF THE ONGOING WORK OF THE WASHINGTON ENERGY CONFERENCE FOLLOW-UP COULD PROVE TO BE A THORNY ISSUE.

12. LOOKING AT THE QUESTION OF EUROPEAN INTEGRATION MORE BROADLY, THE GERMANS HAVE PROBABLY CONCLUDED FROM THE EXPERIENCES OF RECENT MONTHS THAT THE EC CANNOT EXIST FOR LONG IN A STATIC CONDITION -- THAT IT NEEDS TO MOVE FORWARD IN ORDER TO CONSOLIDATE AND RETAIN THE ACCOMPLISHMENTS OF THE PAST. THIS MEANS, INTER ALIA, THAT THE SCHMIDT GOVERNMENT, LIKE ITS PREDECESSOR, WILL ATTACH GREAT IMPORTANCE TO DEVELOPING THE PROCESS OF POLITICAL CONSULTATIONS AMONG THE NINE. ITS INTEREST IN DOING SO IS ALREADY CLEAR, FOR EXAMPLE, FROM ITS DETERMINATION, ALONG WITH ITS EC PARTNERS, TO PROCEED WITH THE EC-ARAB DIALOGUE. THIS GOVERNMENT IS WELL AWARE OF THE STRONG US INTEREST IN CARRYING OUT CONSULTATIONS WITH EUROPE IN SUCH A WAY AS TO ENSURE THAT THE VIEWS OF BOTH SIDES ARE HEARD AND THOROUGHLY CONSIDERED BEFORE FINAL DECISIONS ARE REACHED. ON THE OTHER HAND, SCHMIDT IS IN NO BETTER POSITION THAN  
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BRANDT WAS TO "CHOOSE" BETWEEN FRANCE AND THE US OR BETWEEN EUROPE AND THE US. HE SEES BOTH AS THE VITAL PILLARS OF FRG FOREIGN POLICY AND WILL CONTINUE TO REGARD SUCH A CHOICE AS ESSENTIALLY IMPOSSIBLE. IF THE PROSPECT FOR A MUTUALLY SATISFACTORY CONSULTATIVE RELATIONSHIP ARE NOW BETTER, IT IS NOT BECAUSE THERE HAS BEEN A CHANGE IN THE ATTITUDE OF THE GERMAN GOVERNMENT BUT BECAUSE THE PERSONALITIES ARE DIFFERENT. THE PRAGMATIC AND EASY TIES

BETWEEN SCHMIDT AND GISCARD SHOULD SERVE THE CAUSE OF ATLANTIC PARTNERSHIP BETTER THAN DID THE DIFFICULT RELATIONSHIP BETWEEN POMPIDOU AND BRANDT.

ALLIANCE POLICY

13. WE SEE NO CHANGE IN THE GERMAN VIEW OF NATO OR IN ITS ATTITUDE ON SECURITY QUESTIONS GENERALLY. SCHMIDT IS KNOWN AS A STRONG SUPPORTER OF THE ALLIANCE AND OF THE US ROLE IN IT. UNDER THE NEW GOVERNMENT, THE GERMANS WILL CONTINUE JUST AS STRONGLY AS IN THE PAST TO URGE RETENTION OF AN UNREDUCED US PRESENCE IN EUROPE SO LONG AS AGREEMENT HAS NOT BEEN REACHED IN MBFR. IN THE VIENNA NEGOTIATIONS, THEMSELVES, THE GERMANS WILL WISH ABOVE ALL TO AVOID ANY PATTERN OF REDUCTIONS THAT MIGHT SINGLE OUT THE TWO GERMAN STATES FOR SPECIAL ATTENTION, I.E., THAT WOULD HAVE THE EFFECT OF TURNING DIVIDED GERMANY INTO A KIND OF DE FACTO NEUTRALIZED ZONE IN THE MIDDLE OF EUROPE. SCHMIDT WOULD REGARD SUCH A DEVELOPMENT NOT ONLY AS DANGEROUS IN ITSELF BUT AS FATAL FOR THE FUTURE OF EC INTEGRATION.

14. IT IS OBVIOUS THAT WHAT PREOCCUPIES THE NEW CHANCELLOR MORE THAN SECURITY POLICY AS SUCH IS THE QUESTION OF THE ECONOMIC UNDERPINNINGS OF THE ALLIANCE. IT BECAME CLEAR IN SCHMIDT'S PRESENTATION AT THE SIGNING OF THE NATO DECLARATION ON JUNE 26 THAT HE SEES THE MAIN THREAT TO WESTERN SECURITY IN THE ECONOMIC DISLOCATIONS THAT HAVE RESULTED, AND MAY STILL RESULT, FROM THE RISE IN THE PRICE OF ENERGY. WHAT HE HAS IN MIND IS OBVIOUSLY NOT ONLY, OR EVEN PRIMARILY, THE NOTION THAT THESE ECONOMIC DIFFICULTIES MIGHT LEAD SOME ALLIANCE MEMBERS TO CONCLUDE THAT THEY COULD NO LONGER

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AFFORD TO MAKE A SIGNIFICANT MILITARY CONTRIBUTION. HE IS MORE CONCERNED, INDEED PROFOUNDLY WORRIED, ABOUT THE POLITICAL CONSEQUENCES FOR THE ALLIANCE OF RECESSION, OR OF SEVERE ECONOMIC DISLOCATION, IN A WESTERN EUROPE WHICH HAS BECOME ACCUSTOMED TO PROSPERITY AND WHOSE POPULATIONS HAVE NOT BEEN NOTED FOR THEIR RATIONAL POLITICAL REACTIONS TO ECONOMIC PROBLEMS IN THE PAST.

EASTERN POLICY

15 SCHMIDT HAS STATED THAT HE SUPPORTS THE GOALS OF EASTERN POLICY AND THAT HE WILL CONTINUE TO SEEK IMPROVED RELATIONS WITH THE COUNTRIES OF EASTERN EUROPE. HE HAS ACCEPTED IN PRINCIPLE THE INVITATION ORIGINALLY EXTENDED TO BRANDT TO VISIT THE SOVIET UNION SOME TIME THIS YEAR.

HOWEVER, THE ATMOSPHERE OF OSTPOLITIK HAS CHANGED.  
BRANDT'S EMOTIONALLY CHARGED POLICY OF SEEKING RECONCIL-

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FM AMEMBASSY BONN

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INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY DUBLIN

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AMEMBASSY STOCKHOLM

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AMEMBASSY MOSCOW

AMEMBASSY WARSAW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY BUDAPEST

AMEMBASSY BUCHAREST

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AMEMBASSY VIENNA  
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USMISSION BERLIN  
AMCONSUL BREMEN  
AMCONSUL HAMBURG  
AMCONSUL FRANKFURT  
AMCONSUL DUSSELDORF  
AMCONSUL MUNICH  
AMCONSUL STUTTGART  
CINCUSAFE RAMSTEIN  
CINCUSAREUR HEIDELBERG  
CINCEUR VAIHINGEN

C O N F I D E N T I A L SECTION 05 OF 05 BONN 10538

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IATION WITH THE EASTERN EUROPEAN VICTIMS OF THE NAZI  
REGIME AND OF SEARCHING FOR PRACTICAL STEPS TO OVERCOME  
THE GULF BETWEEN EAST AND WEST GERMANY HAS GIVEN WAY TO  
A FAR MORE SOBER VIEW OF THE EAST-WEST SCENE. SCHMIDT'S  
COMMITMENT TO THE POLICY IS A PRACTICAL ONE. NOW THAT  
THE BASIC FRAMEWORK NEGOTIATIONS ARE OVER (THE FRG HAS  
ESTABLISHED DIPLOMATIC RELATIONS WITH ALL EASTERN  
EUROPEAN STATES EXCEPT ALBANIA) IT REMAINS (TO USE THE  
GOING PHRASE) TO FILL THE VARIOUS TREATIES "WITH LIFE."  
GIVEN THE INHIBITIONS OF A SOCIAL AND POLITICAL NATURE  
IMPOSED BY THE EASTERN EUROPEAN COMMUNIST SYSTEMS AND  
THE LIMITATIONS ON TRADE AND INVESTMENT THAT RESULT FROM  
THE EE'S RELATIVE LACK OF MEANS TO PAY, AND FAILURE TO  
CONCLUDE AGREEMENTS COVERING FRG PRIVATE INVESTMENT, IT  
IS SAFE TO PREDICT THAT THIS PROCESS WILL BE A SLOW ONE.

16. WHILE BRANDT WAS STILL CHANCELLOR, THE SUSPICION  
AROSE FROM TIME TO TIME THAT HE AND HIS EASTERN POLICY  
ADVISER, EGON BAHR, WERE PREPARED TO USE ECONOMIC MEANS  
-- PRIMARILY LARGE SUBSIDIZED CREDITS -- IN ORDER TO WIN  
WERE LARGELY CONCEIVED OF IN HUMAN TERMS, E.G., IMPROVED  
OPPORTUNITIES FOR REUNIFICATION OF FAMILIES AND THE  
EMIGRATION OF ETHNIC GERMANS (MAINLY FROM POLAND) AND,  
ABOVE ALL, GREATER FREEDOM OF MOVEMENT IN BOTH DIRECTIONS  
BETWEEN WEST AND EAST GERMANY. SUCH SUSPICIONS TENDED TO  
OVERLOOK THE FACT THAT EVEN THE CHANCELLOR HAD VERY  
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LIMITED MEANS AT HIS DISPOSAL TO IMPLEMENT THE ENVIS-  
AGED ECONOMIC CONCESSIONS. BUT, IF THERE WAS SOME  
TRUTH TO THEM AT ONE TIME, AT LEAST WITH RESPECT  
TO THE MOTIVES OF THE PLANNERS IN THE BRANDT GOVERNMENT,  
WE CAN ASSUME THAT UNDER THE NEW GOVERNMENT THERE IS  
VERY LITTLE PROSPECT OF THIS KIND OF DEALING WITH  
EASTERN EUROPE AT ALL. THE OFFER OF A LOW-INTEREST  
CREDIT OF DM 1 BILLION TO POLAND WILL PROBABLY BE LEFT  
ON THE TABLE AND GRANTED IF THE POLES ARE ABLE TO COME  
ACROSS WITH A BETTER OFFER REGARDING THE EMIGRATION OF  
ETHNIC GERMANS. A DM 700 MILLION CREDIT FOR YUGOSLAVIA  
HAS JUST BEEN AGREED UPON WITHIN THE FRAMEWORK OF  
DEVELOPMENT ASSISTANCE. WE SEE LITTLE LIKELIHOOD OF  
FURTHER ACTIONS OF THIS KIND. GERMAN BUSINESSMEN WILL  
CONTINUE TO TAKE A STRONG INTEREST IN EASTERN EUROPE,  
WHICH THEY HAVE HISTORICALLY REGARDED AS A NATURAL MARKET  
FOR GERMANY. ALTHOUGH NUMEROUS HIGH-LEVEL POLITICAL  
LEADERS, INCLUDING THE CHANCELLOR, HAVE EXPRESSED  
SUPPORT FOR GOVERNMENT ASSISTANCE TO FRG BUSINESSMEN  
IN ORDER FOR THEM TO IMPROVE THE FRG RAW MATERIAL SUPPLY  
POSITION BY INCREASING IMPORTS FROM EASTERN EUROPE,  
THERE HAVE BEEN NO ANNOUNCED PROGRAM SPECIFICS. IN ANY  
CASE, GERMAN BUSINESSMEN CANNOT EXPECT ANY EXTRAORDINARY  
SUPPORT FOR THEIR EFFORTS BASED ON PRIVILEGED POLITICAL  
POSITION ENJOYED BY THE EE STATES. THIS WILL BE THE  
MORE TRUE IN VIEW OF THE BUDGETARY STRINGENCIES WHICH  
CHANCELLOR SCHMIDT IS IMPOSING IN ORDER TO DEAL WITH  
ECONOMIC PROBLEMS IN THE FRG.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, FOREIGN RELATIONS, ALLIANCE, QUARTERLY REPORTS, POLITICAL SITUATION, PERSONNEL RESIGNATIONS, PROGRESS REPORTS, ECONOMIC TRENDS , ANNUAL REPORTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BONN10538  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740178-0543, D740175-0624  
**From:** BONN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740782/aaaacsds.tel  
**Line Count:** 796  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 15  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** BONN A-161, MARCH 27, 1974  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 MAR 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 MAR 2002 by izenbei0>; APPROVED <09 MAY 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** QUARTERLY ASSESSMENT: POLITICAL AND ECONOMIC TRENDS IN THE FRG  
**TAGS:** PFOR, PINT, PGOV, ECRP, GE, (SCHMIDT, HELMUT)  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005